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STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE LEGISLATIVE SUBCOMMITTEE
APPROPRIATIONS COMMITTEE
UNITED STATES SENATE
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1976
April 15, 1975

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appreciate the opportunity to present to the Committee a review of our work programs and our financial requirements for FY 1976. Details of these plans have been provided to you in a separate volume entitled "Justification of Estimates." This opening statement will summarize:

- A. Our Overall Financial and Staff Requirements.
- B. The Impact of Recent Legislation and Other Congressional Actions on GAO Organization and Work Programs.
- C. General Performance Highlights Since our Last Budget Hearing.

A. OVERALL FINANCIAL AND STAFF REQUIREMENTS

Our FY 1976 estimate is \$139.5 million--an increase of \$14.4 over our FY 1975 budget. About two-thirds is to finance our current level of operations. The remaining one-third will support an increase of 260 average staff-years.

First I will summarize our FY 1975 appropriations and then analyze our FY 1976 request.

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1. STATUS OF FY 1975 APPROPRIATIONS

As of March 29 our appropriations outlook is as follows:

. Original FY 1975 Appropriations	\$121,376,000
. Additional cost of salary increase effective October 1974	<u>3,813,000</u>
. Total request for FY 1975	<u>125,189,000</u>

Unlike prior years when we fell short of attaining our staff plans, we expect this year to come very close to achieving the staff-years authorized, as well as utilizing virtually all of our originally estimated travel funds. We are most appreciative of your support in obtaining elimination of the mandatory reduction in travel funds which had begun to seriously curtail essential travel.

In addition to much tighter management of our resources, which is responsive to the desires of this Committee, our budget reflects increased costs for supplies and facilities. Also, we anticipate passage of the increased per diem and mileage allowances. As a consequence, as I wrote you on April 8, it would not be prudent to offer any of the small remaining funds which we estimate may be available by the end of the year to offset the pay increase, since this would leave us virtually no flexibility to meet unforeseen contingencies during the last quarter of FY 1975. We will be glad, however, to keep you advised of our expend-

iture status. Any unobligated funds, of course, will revert to Treasury as of June 30.

2. APPROPRIATIONS REQUEST FOR FY 1976

As stated above, funds requested for FY 1976 total \$139.5 million--a net increase of \$14.4 million over our FY 1975 requirements. Analysis of the request shows that about two-thirds of the increase is required to support our operations at present staff levels. Only one-third of the increase will be available for staff resources to meet the new requirements that I will outline later in my statement:

	<u>Millions</u>
<u>- Cost increases to support current operations</u>	
. Annualization of 1975 pay increases, plus promotions, periodic step increases, and associated benefits for the current staff, (including the transportation rate audit function)	\$ 5.3
. Increase in level and costs of supplies, equipment, services, space, and travel. . . .	3.8
. One-time costs of transferring the transportation rate audit function to GSA	0.7
<u>- Cost increases to support increased responsibilities</u>	
. Costs incident to the increase of GAO permanent staff, including pay, associated benefits, and travel	<u>4.6</u>
Total	<u><u>\$14.4</u></u>

3. STAFF REQUIREMENTS FOR FY 1976

We are requesting 5,456 staff-years for FY 1976-- compared with the 5,230 authorized for FY 1975. Ongoing GAO functions will need to increase by 260 staff-years, but requirements of the transportation audit function will decrease by 34 staff-years. The decrease will result from our continued progress in streamlining this operation.

In projecting their workload for FY 1976, our division and office directors estimated that 650 additional staff-years were justified in FY 1976. My decision to request only 260 staff-years--less than half of the estimated requirement--is based on limiting our growth to that number which we can effectively recruit and train while maintaining the high standards that we insist on.

Because we recognize the importance of GAO having the resources to fulfill its assigned responsibilities, we have increasingly emphasized our recruitment programs which have enabled us to come very close to attaining an average strength of 5,230 staff-years in FY 1975. Consequently, we are confident that we will be able to recruit the new staff we are requesting.

We have made good progress in our Equal Employment Opportunity Program. The number of minority and women employees has increased steadily as a percentage of our

total employees in grades GS-5 and above. Minorities continue to be hired in record numbers for the professional staff, representing 40 percent of our college recruits in FY 1974 and the first half of FY 1975. Our request includes about \$1 million for the overall Equal Employment Opportunity Program in FY 1976. I am submitting, for the record, a more detailed "Position and Status Paper" covering our EEO program.

4. PLANNED APPLICATION OF RESOURCES

Planned application of resources for FY 1975 and FY 1976 is shown in the schedule below:

<u>PLANNED APPLICATION OF STAFF RESOURCES</u>			
<u>FISCAL YEARS 1975 and 1976</u>			
<u>PROGRAM CATEGORIES</u>	<u>ESTIMATED STAFF-YEARS</u>		
	<u>FY 1975</u>	<u>FY 1976</u>	<u>CHANGE</u>
A. Direct assistance to Congress	1,190	1,305	+115
B. Support to the Congressional Budget Process and Information Needs	104	165	+ 61
C. Reviews of:			
--Program Results	1,118	1,179	+ 61
--Economy and Efficiency	<u>1,119</u>	<u>1,135</u>	<u>+ 16</u>
	2,237	2,314	+ 77
D. Examination of Agencies' Financial Systems, Transactions, Accounts, and Reports	243	243	-
E. Financial Management Improvement	125	125	-
F. Claims Settlement and Debt Collection	144	137	- 7
G. Federal Election Activities	25	-	-25
H. Legal Services and Decisions (Net of Direct Assistance to Congress)	207	210	+ 3
I. Executive Direction and Management Services	<u>517</u>	<u>553</u>	<u>+ 36</u>
TOTAL ONGOING GAO STAFF-YEARS	<u>4,792</u>	<u>5,052</u>	<u>+260</u>
Transportation Audit Functions which will be transferred to GSA	<u>438</u>	<u>404</u>	(34)
TOTAL	<u>5,230</u>	<u>5,456</u>	

At this point, I would like to highlight the major increases in our request:

- The largest single increase, "Direct Assistance to Congress," continues the trend we have experienced in this category for some time. We expect that the increased level of requests will require us to devote 115 more staff-years to this area in 1976--an increase of 9 percent over the estimated 1975 level.
- The second biggest increase is in the new category "Support to the Congressional Budget Process and Information Needs." Work under this category will fulfill responsibilities assigned to us by Titles II, VII, VIII, and X of the Congressional Budget and Impoundment Control Act of 1974, and the Legislative Reorganization Act of 1970. An increase of 61 staff-years will be required. When the increase in this new category of support is added to the direct assistance category, about two-thirds of the increased staff being requested is in direct support of specific congressional requirements.
- In the third category, our self-initiated work--the principal increase is in Reviews of Program Results. This again is responsive to the growing need for such support by the Congress, and the new emphasis given to that need by Title VII of the Congressional Budget and Impoundment Control Act and in many other acts such as those listed later in this statement.
- Other significant increases are in support of internal management improvements with particular emphasis on staff development, equal opportunity, upward mobility training programs, and financial management improvements.

Since the planned changes in our organization and staffing in FY 1976 stem primarily from recent legislation, I would now like to turn to a review of:

B. IMPACT OF RECENT LEGISLATIVE AND OTHER CONGRESSIONAL
ACTIONS ON GAO ORGANIZATION AND WORK PROGRAMS

Three recently enacted bills are having an immediate impact on our organization, staffing, and work priorities. I will discuss these and then refer briefly to other legislative or congressional actions affecting our work.

1. The General Accounting Office Act of 1974 (P.L. 93-604), signed by the President on January 2, 1975, has a number of provisions with long-term implications.

Most important is the transfer of responsibility for making initial audits of transportation payments from the General Accounting Office to the General Services Administration. This transfer has been in the planning stage during the past two years. We are proceeding with actions which will assure the efficient transfer of these functions no earlier than October 1, 1975, but with completion, as required by law, no later than September 30, 1976. I am giving personal attention to assuring full protection of the rights and interests of the people involved.

Our FY 1976 request contains funds to finance the transportation rate audit work for the full year, including personnel and operating costs, and the special costs involved in the transfer of this function to the General Services Administration.

After the transfer we will continue to be responsible for the overview of administrative policies, practices, and

procedures of executive agencies having transportation responsibilities. We will retain the functions of collection, compromise, and termination of transportation debts referred to us by other agencies. We will also continue to render decisions and give guidance to departments and agencies in connection with proposed transportation expenditures, and to claimants who request the Comptroller General to review settlements involving questions of law or fact.

Among other significant provisions of the General Accounting Office Act of 1974 is a new responsibility for auditing nonappropriated fund activities. These activities sell merchandise or services to certain classes of Government employees, retirees, and their dependents (primarily in the Department of Defense). They number in the hundreds, have annual sales estimated at \$6 billion per year, and employ up to 300,000 personnel either part-time or full-time. This is an area which in the past has had only minimal outside review.

2. The Federal Election Campaign Act Amendments of 1974 established the new Federal Election Commission. The functions performed in our Office of Federal Elections (OFE) will be transferred to the new Commission after it begins operation. We have already begun the phase-down of our OFE staff and are reallocating the resources thus saved to new functions and requirements. Anticipating passage of the Act, we phased out the audit program as discussed with the

Committee last year and are utilizing approximately 85 of the 110 staff-years originally planned for that work in FY 1975 to meet new and unforeseen requirements mandated by various Congressional requirements cited below:

3. The Congressional Budget and Impoundment Control Act of 1974 enlarges GAO's program evaluation role by requiring us to review and evaluate Government programs carried on under existing law, to recommend methods for reviewing and evaluating Government programs to assist in stating legislative objectives and goals, and to develop methods for assessing and reporting actual program performance.

Additionally, the Act clarifies and strengthens the extensive fiscal, budgetary, and program-related data and information systems responsibilities given to the Comptroller General in cooperation with the Secretary of the Treasury; the Director, Office of Management and Budget; and the Director of the Congressional Budget Office. It also gives GAO important new responsibilities regarding congressional consideration of rescissions and deferrals of budget authority proposed by the President.

By utilizing staff resources already assigned to Congressional information service activities, and those previously planned to work on Federal Election activities, as well

as by closer management of our staff-years both at headquarters and in the field, we are able to apply 104 staff-years to these functions in FY 1975. We propose to expand this effort to 165 staff-years in FY 1976. These new or enlarged functions include:

- a. Budgetary and Economic Analysis. We have established an "Office of Program and Budget Analysis" (OPBA) to conduct analyses as contemplated in Titles VII and VIII of the Act. In so doing, this Office will build on GAO's knowledge of Government programs and policies, on our access to fiscal and budgetary information, and on work that we do in connection with program auditing. A primary objective is to provide Congress with expanded analytical information for its use in making major budget and appropriations decisions. We will seek to provide the Congress with analytical material which will stress the costs and benefits of Federal programs.
- b. Meeting Congressional Financial and Budgetary Information Needs. Our Congressional Information Services Group is responsible for GAO's role under Title VIII of the Congressional Budget Act in the development of standardized information systems for fiscal, budgetary and program-related data and information needs of the Congress. We are placing particular emphasis on the identification of Congressional information needs.

We have made good progress in improving the appropriation classification structure of the Departments of Housing and Urban Development, and Agriculture, the General Services Administration, the National Science Foundation, and the National Aeronautics and Space Administration.

We are developing ways in which data files in executive agencies can be made available to meet information requirements of the Congress. Work on this objective is continuing in cooperation with the agencies, the Office of Management and Budget, and committees of Congress.

- c. Impoundment Analysis. As required by Title X of the Congressional Budget and Impoundment Control Act of 1974, we review and advise the Congress with respect to the legality and impact of proposed rescissions and deferrals of budget authority by the executive branch.

4. OTHER LEGISLATIVE OR CONGRESSIONAL
ACTIONS AFFECTING GAO WORK PROGRAMS

New direct assignments or new priorities frequently result from congressional actions. The following are some recent illustrative examples:

- The Energy Reorganization Act of 1974 requires GAO to evaluate the effectiveness of licensing and related regulatory activities of the newly established Nuclear Regulatory Commission, and the operations of the Office of Nuclear Safety Research and the Bureau of Nuclear Materials Security. A report to the Congress is required within five years. This and other work related to the Act's establishment of the Energy Research and Development Administration will significantly affect our work and our need for resources for some time to come.
- The International Air Transportation Fair Competitive Practices Act of 1974 directs the Comptroller General to disallow any expenditures from appropriated funds for payment of personnel or cargo transportation on a foreign air carrier in the absence of satisfactory proof of necessity. This Act, in addition to its obvious requirement for the use of GAO resources, will present some rather complex problems which we will need to resolve.
- The Trade Act of 1974 requires the Comptroller General to study adjustment assistance programs established by the Act and to report to the Congress on the results of the study by January 31, 1980. This requirement and other provisions which call for greater congressional participation in trade matters--both in the approval and the administration of trade agreements--will, we believe, significantly affect our workload.
- The Small Business Amendments of 1974 approved in August 1974 required GAO to conduct a full-scale audit of the Small Business Administration including its field offices. This will constitute a major workload for our General Government Division in FY 1975.
- Senate Report 93-1033 on Russian Grain Transactions recommends that the Comptroller General review in detail the export reporting system recently placed into operation to determine the outstanding export

sales commitments of commodities in relation to existing stocks.

- The Amtrak Improvement Act of 1974 makes GAO responsible for conducting an annual management audit of Amtrak's operations.
- House Report 93-1120 directs the Federal Trade Commission and GAO to work together to resolve data reliability problems concerning FTC's line-of-business program which we had previously identified.
- The Conference Report on FY 1975 DOD Appropriations, in September 1974, requested GAO to make an in-depth study of the program of the Department of Defense of stockpiling war materials or equipment for use by foreign countries and to report to the Committees on Appropriations.
- The D.C. Home Rule Bill requires GAO to make annual audits in connection with the District of Columbia's authority to borrow funds in the open market rather than, as in the past, from the U.S. Treasury. We are also required to continue our ongoing examination of the operations of the D.C. Government.
- New or expanded Federal programs embodied in the following Acts will, we believe, also affect the future of our work.
 - . The Solar Energy Research, Development and Demonstration Act of 1974.
 - . The Housing and Community Development Act of 1974.
 - . The Emergency Job and Unemployment Assistance Act of 1974.
 - . The Office of Federal Procurement Policy Act of 1974 and the revised statutes simplifying procurement procedures by raising the ceiling on small purchases from \$2,500 to \$10,000.

Prior legislative actions also continue to have a sizable impact on GAO. For example, the Health Maintenance Organization Act of 1973 required GAO to perform rather extensive evaluation work in connection with the operations

and impact of Health Maintenance Organizations. This requirement, on which we are presently performing work, will continue to require substantial resources for at least the next two years.

In addition to the above, the statutes setting up the new Commission on Federal Paperwork and the National Commission on Electronic Fund Transfers name the Comptroller General as a member. We also expect to cooperate closely with the recently reorganized National Commission on Productivity and Work Quality in our efforts to measure and identify ways to increase productivity in the Federal Government.

C. GENERAL PERFORMANCE HIGHLIGHTS

I would now like to touch briefly on our overall performance since we last appeared before you and to outline for you some of our plans for the future.

1. Reports Issued and Other Services Provided to Congress.

In Fiscal Year 1974, we submitted 553 reports on audits or special studies to the Congress, Committees, and Members. This compares with 504 for the preceeding year. (In addition, there were 322 reports addressed to agency officials.) The breakdown of reports to Congress in fiscal year 1974 was as follows:

To Congress	145
To Congressional Committees . . .	167
To Members.	<u>241</u>
Total	553

But reports are only one of GAO's services to Congress. Testimony before Congressional Committees; preparation of staff papers; briefings for Committees, Members, and staffs; development of questions for use during hearings; and assignment of staff for varying periods to work for Committees and Subcommittees are all part of the staff services we render to Congress. Legal opinions and comments on legislation are still another type of service.

We recently analyzed the trends in these services during the current fiscal year and found the following:

--During the first 9 months of fiscal year 1975, we issued 508 reports to Congress, Committees, and Members--more than in all of fiscal year 1973, and at a rate over 20 percent greater than in fiscal year 1974.

--But more striking is the fact that as of March 31, 1975, our work in progress requested by Committees and Members had reached its highest level in history.

--This increase is spread among Committees of both the House and the Senate, but the largest single increase has been for the Senate Appropriations Committee where requests on hand at the end of March totalled 31.

--But as I indicated, reports are only one of our services. For the Senate Appropriations Committee and its Subcommittees, during the first 9 months of fiscal year 1975, we prepared 13 reports but in total we performed, or have in process, over 100 staff services (including briefings, papers, questions, etc.). In addition, for individual Members of the Senate Appropriations Committee, during the same period, we performed, or have in process, over 180 reports and staff services.

Hence, as you can see, our services to Congress are at an all-time high and appear to be growing. Further details on the above data appear in Attachment 1, and we will be pleased to furnish more for the record.

2. ACCOMPLISHMENTS

As you know, we are constantly trying to identify opportunities to improve economy and effectiveness. Where possible, we make estimates of savings directly attributable to GAO recommendations. Such measurable savings amounted to \$562 million in FY 1974, with actions resulting from our recommendations in 19 departments and agencies. \$166 million of these savings will recur annually.

Two examples of actions taken as the result of our findings are:

- \$145 million in savings resulted from cancellation of outstanding orders of the military services for materiel no longer considered to be needed. The recommendations for improved inventory practices, identified by our studies, will result in recurring annual savings estimated at \$100 million.
- \$40.7 million in additional revenues were obtained by a nationwide Internal Revenue Service program to identify and collect taxes from taxpayers who either failed to file or were delinquent in filing Federal Highway Use Tax returns. Almost \$18 million of such collections will recur annually.

In addition, numerous actions resulted in financial savings which could not be fully or readily measured. Examples include: consolidating the Navy's reserve fleet

maintenance and preservation activities; delaying purchases of foreign currency not needed for current operations; providing more economical upkeep and management of residential properties acquired by HUD; and diverting to productive uses some 400 man-years through revised Navy change-of-station travel policies.

Even more important are the large number of recommendations we made which, while not resulting in immediate dollar savings, point the way to improved program effectiveness. For example, we found that despite two decades of study, the civil aviation midair collision problem persists. The principal reason for this slow progress has been inadequate analysis by the Federal Aviation Administration showing whether a solution is economically feasible, and if it is, which alternative--upgraded ground control with collision avoidance equipment, airborne equipment, or a combination of these--offers the best approach. As a result of our report, the Administrator of FAA has begun an indepth analysis of alternate solutions to the midair collision problem, which he believes will provide the basis for an FAA-recommended system.

We are pleased with our dollar savings and other accomplishments such as those outlined above. But the heart of our audit and review work lies in (1) Direct

Assistance to Congress, and (2) Reviews of Program Results, Efficiency and Economy. I would like to discuss both of these briefly.

3. DIRECT ASSISTANCE TO CONGRESS

This is the area which requires the principal increase in staff-years in FY 1976. Work which we classify under this category includes:

- . Studies specifically directed by legislation.
- . Committee and Member requests.
- . Testimony at hearings.
- . Staff assigned to Congressional Committees.
- . Legal opinions.
- . Advice on pending legislation.
- . Accounting, auditing, and advisory services for House and Senate financial and administrative operations.
- . Congressional liaison activities.

Because our direct assistance work, for the most part, is based on requests for performance of particular reviews, the work that we will do to directly assist the Congress in FY 1976 will follow from its interests and concerns at that time. The following examples of work recently completed, or being performed at the direct request of committees and Members of Congress illustrate the diversity and range of work in this category.

- Citizen Protection. We reviewed security at the Lorton Correctional Institution and pointed out areas in which security should be tightened by better management.
- Criminal Justice. We reviewed the administration of programs under the Criminal Justice Act in the U.S. District Courts and the District of Columbia Superior Court.
- Domestic Intelligence. We are currently reviewing domestic intelligence activities of the Federal Bureau of Investigation.
- Energy Data Availability. Following a review of the need for a centralized energy data bank, we pointed out various deficiencies in present energy data systems and concluded that, although it would be feasible to develop an effective centralized system, it would take several years and would require enabling legislation.
- Public Safety. Responding to requests of numerous Members of Congress we are reviewing the actions taken by the Agency for International Development and the Department of Defense to comply with legislative requirements to terminate public safety assistance to foreign countries.
- Internal Revenue. At the request of the Joint Committee on Internal Revenue Taxation, we are reviewing the Internal Revenue Service's audit and taxpayer service activities, and the regulatory activities of the Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury.
- Nuclear Testing. We recently furnished information, at his request, to the Chairman, Research and Development Subcommittee, Senate Armed Services Committee, on the United States' capability to promptly resume nuclear testing in the atmosphere.
- Postal Operations. We reviewed military postal operations at the request of the Chairman, Senate Appropriations Committee, to assess the need to support costly military postal operations in view of the statutory responsibility of the U.S. Postal Service for delivering mail.

--Revenue Sharing. Currently, we are conducting in-depth case studies of revenue sharing in 26 units of local government. We are inquiring into such matters as fiscal condition, civil rights record, public participation in the local budgetary process, and the impact of revenue sharing on local tax rates.

--Impoundment Decisions. At the request of Senate and House Appropriations and Budget Committees we made an analysis of the Impoundment Control Act of 1974 (Title X of Public Law 93-344) and rendered a legal opinion to the Congress on the Act. Our opinion was designed to establish clearly the manner in which GAO's role would be carried out and to provide the Congress a resolution of conflicting interpretations.

--Service Academies. At the request of several Members of Congress, we are making a review of the Service Academies (Army, Navy, Air Force, Coast Guard, and Maritime). Our work will cover cadet attrition rates, cost of operations, and academic programs.

This year we provided to the Chairmen of the Appropriations Committees the first annual report of summaries of conclusions and recommendations for Committee use in reviewing agency budgets. Separate reports for the Department of Defense and Civil Agencies were presented. We believe that these summaries will be of value in identifying opportunities for cost reductions.

4. PROGRAM RESULTS REVIEWS, AND
REVIEWS OF ECONOMY AND EFFICIENCY

Reviews in this category are performed in fulfillment of our responsibility to the Congress under the Budget and Accounting Act of 1921 and subsequent legislation. In recent years the Legislative Reorganization Act of 1970, and now

the Congressional Budget and Impoundment Control Act of 1974 have highlighted the role that reviews of program results can play in assisting the Congress with its legislative, as well as its oversight, responsibilities. Hence while continuing reviews of economy and efficiency of ongoing operations, we are increasing our emphasis on reviews of program effectiveness.

Through our program planning system we are increasingly correlating our work so as to examine program interrelationships on major issues of highest concern to the Congress. An example of this synthesizing approach is our plan for work involving energy problems. We plan to give priority to that work which will enable us to contribute to solutions in connection with:

- Energy conservation.
- Energy research and development.
- Federal proprietorship of energy resources.
- Energy data collection and analysis.

Our new "Office of Special Programs" (OSP) will give its attention to correlating all GAO work and work planning in the areas of energy, materials, and food. Other divisions and offices will perform similar functions in assigned areas.

A few examples of recently completed self-initiated reviews follow:

- Health Assistance. Following a survey of the eligibility of medically needy individuals under the Medicaid program in Illinois and New York City, we reported that the Department of Health, Education, and Welfare regulations on how States determine the eligibility of medically needy individuals appeared to be inadequate. We reported that, during the period covered by our survey, payments of between \$1.8 million to \$4 million per month were made in New York City to ineligible individuals.

- Postal Operations. We reported that, to a certain extent, the careless handling of sorted mail had defeated the objectives of mechanization in sorting operations and added to the cost of mail delivery. Our report included recommendations which should help reduce letter-sorting machine errors, improve environmental conditions, establish work standards, and expedite the flow of mail to its proper destination.

- Vocational Education. In reporting on vocation education program operations in seven States, we made recommendations which should help to direct Federal funds to to achieve the purposes intended, improve the planning for delivery of vocational education, better target Federal funds to areas of need, expand training options, and more appropriately consider the impact of changing manpower requirements.

- International Food Shortages. A recent report to the Congress summarized attempts by the United States and international agencies to deal with current food problems. It was provided to the Congress in time to be of use in the November 1974 United Nations-sponsored food conference. After completing a series of planned reviews, we will prepare a comprehensive report which will discuss significant issues raised in our individual reviews, and the progress made by both the United States and the international community to improve existing programs and devise new ways to meet food challenges facing the world.

- Air Defense. In reports and testimony to the Congress, we questioned the effectiveness of the \$4 billion Airborne Warning and Control System (AWACS) to perform its primary mission of controlling aircraft in a European combat environment. We worked with experts

appointed by the Secretary of Defense at the recommendation of the Chairman, Senate Armed Services Committee, to look into the viability of the system. The findings of these experts confirmed the importance of considering the questions we had raised before a Secretary of Defense decision to proceed with this program is made.

--Aircraft Engine Development. In a recent report to the Congress we pointed out that new aircraft engines were being prematurely qualified for production. This results in production funds, and operations and maintenance funds, being used to develop these engines, rather than R&D funds.

5. COMMENTS ON OTHER PROGRAM CATEGORIES

All of our program categories are described in detail in the Justification of Estimates. My comments thus far have covered the larger of our work programs. I would like now to highlight the remaining categories only very briefly.

- a. Examination of agencies' financial systems, transactions, accounts, and reports. No change in the overall level of effort--243 staff-years--is planned in FY 1976. However, we will rebalance our use of resources to stress more heavily the manner in which accounting systems contribute to agency operations.

Flexibility to reprogram our staff is enhanced by the continuing drop in staff-years required at Military Finance Centers as a result of the installation of more accurate pay systems, and the improvement in the quality of agency audits. This rebalancing permits us to focus our effort on audits of

systems rather than on detailed transactions. Further, new authority contained in the General Accounting Office Act of 1974 giving us discretion to audit Government corporations at least every three years, instead of annually, will permit more efficient scheduling of staff resources.

- b. Financial management improvement programs. Here again we expect to maintain a constant effort of 125 staff-years, both in FY 1975 and FY 1976. Excellent progress is being made toward achieving our objective of having all Federal agency accounting systems approved by the end of FY 1980. To achieve this goal we must review and approve more than 160 systems designs in the next 6 years. While statements of principles and standards have been approved for 98 percent of the systems, designs have been approved thus far for only 43 percent.

We will likewise continue strong participation in FY 1976 in the Joint Financial Management Improvement Program, with the major objective of developing cooperative projects with the full participation of agency personnel.

- c. Claims settlement and debt collection activities.

We are planning a slightly reduced level of effort in FY 1976 (137 staff-years compared to 144 in FY 1975) in anticipation of the economies which

will result from the automation of accounts receivable and accounts payable functions during calendar year 1975.

As you know, this category includes our work in settling claims by and against the United States. By so doing we provide aggrieved parties with an impartial and independent settlement of their claims at little or no expense to them. At the same time this function reduces the burden of the courts and that of the Department of Justice, which otherwise might result from litigation instituted by such aggrieved parties.

The volume of payment claims against the United States continues at a level of approximately 9,000 per year.

Debt claims referred to us by various agencies in FY 1974, for adjudication and/or collection, amounted to approximately 34,000.

- d. Legal services and decisions. As you know, our legal work extends to virtually the full-range of Government receipt and expenditure activity. This work involves:
- . Preparation of legal decisions on questions within the jurisdiction of the Comptroller General.
 - . Preparation of legal decisions in response to requests of unsuccessful bidders.
 - . Furnishing legal reference and legislative services.

- . Legal review of audit reports.
- . Legal services to Committees and Members of the Congress.
- . Legal services to Divisions and Offices of GAO.

The last identified function has continued to grow in magnitude and importance to our audit divisions and we plan to augment that staff in FY 1976 by 3 staff-years. A small increase of 2 staff-years in the Office of General Counsel will also be required in its Direct Assistance to Congress work.

--Executive Direction and Management Services. This program category includes all other activities of the Office concerned with managing and supporting the work of our operating divisions and offices. Its staffing will remain relatively stable through FY 1976 except for:

- The growth in our Upward Mobility training programs (26 staff-years offset by a decrease of 7 in other special pools).
- Continued development of GAO internal staffs for the training and development of its personnel, and for the improvement of internal financial management systems (15 staff-years).
- Addition of 2 staff-years to other functions required to assist the Comptroller General, including the identification and programming of work in high-priority issue areas.

CONCLUSION

In summary, the General Accounting Office has ahead a most challenging period of responding to the new demands

placed upon it by the Congress, increasing its capability to conduct budgetary analyses, phasing out of the Office of Federal Elections, and effectuating an orderly transfer of the transportation rate audit function to the General Services Administration. Attachment II shows the proposed changes in staff-years for each component of the General Accounting Office in FY 1976.

My associates and I will now be happy to answer any questions you may have.

REPORTS TO COMMITTEES AND MEMBERS OF CONGRESS
FISCAL YEAR 1974 AND
FIRST 9 MONTHS OF 1975 AND REQUESTS
ON HAND AT MARCH 31, 1975

	<u>Number of Reports</u>		<u>Requests on Hand 3/31/75</u>
	<u>FY 1974</u>	<u>9 Months of FY 1975</u>	
House Committee:			
Appropriations	16	13	15
Armed Services	6	6	2
Government Operations	23	19	24
Post Office and Civil Service	15	5	9
Banking and Currency	2	--	2
Education and Labor	3	3	4
Interstate and Foreign Commerce	2	--	6
Public Works	2	--	4
Foreign Affairs	5	--	1
Interior and Insular Affairs	1	--	1
Judiciary	--	2	7
Merchant Marine and Fisheries	3	3	2
Science and Astronautics	1	1	4
Permanent Select Committee on Small Business	3	1	3
Veterans Affairs	--	--	1
Ways and Means	--	--	4
Agriculture	2	--	--
Select Committee on House Beauty Shop	2	--	--
Select Committee to Regulate Parking	1	--	--
International Relations	--	4	5
Congressional Rural Caucus	--	--	1
<u>Total House</u>	<u>87</u>	<u>57</u>	<u>95</u>

Senate Committee:

Appropriations	6	13	31
Special Committee on Aging	2	1	3
Armed Services	8	6	5
Aeronautical and Space Sciences	1	--	--
Finance	1	6	5
Foreign Relations	4	4	1
Post Office and Civil Service	2	--	1
Interior and Insular Affairs	4	2	5
Government Operations	7	6	17

	<u>Number of Reports</u>		Requests on hand <u>3/31/75</u>
	<u>FY 1974</u>	<u>9 Months of FY 1975</u>	
Senate Committee (cont.):			
Judiciary	6	2	3
Labor and Public Welfare	9	--	11
Public Works	3	3	4
Permanent Select Committee on Small Business	--	2	--
Commerce	1	7	7
Agriculture and Forestry	3	1	4
Veterans Affairs	2	--	2
Rules and Administration	1	--	--
Select Committee on Nutrition and Human Needs	3	--	--
Banking, Housing, and Urban Affairs	<u>--</u>	<u>3</u>	<u>2</u>
Total Senate	63	56	101
Joint Committee:			
Atomic Energy	1	1	1
Economic	6	5	9
Internal Revenue Taxation	1	--	10
Congressional Operations	--	1	--
Printing	1	2	2
Defense Production	<u>--</u>	<u>--</u>	<u>1</u>
Total Joint	9	9	23
Total All Committees	159	122	219
To Officers of the Congress	<u>8</u>	<u>4</u>	<u>4</u>
Total All Committees and Officers of the Congress	167	126	223
Individual Requests by Members and Officers of Congress	<u>241</u>	<u>237</u>	<u>311</u>
Total Committees and Members	<u>408</u>	<u>363</u>	<u>534</u>
Reports to Congress as a whole	<u>145</u>	<u>145</u>	
Grand Total	<u>553</u>	<u>508</u>	

PLANNED APPLICATION OF RESOURCES BY
DIVISIONS AND OFFICES

<u>Division or Office</u>	<u>Total Staff-Years, (Including field time and consultants)</u>			
	<u>FY 1975</u>	<u>FY 1976</u>	<u>Change</u>	<u>Reference**</u>
. Office of the Comptroller General	14	14	--	E
. Special Staff Services	20	20	--	F
. Office of the General Counsel	232	237	+5	G
. Assistant Comptroller General Policy and Program Planning	38	41	+3	H
. Assistant Comptroller General, Special Programs	127	163	+36	I
. Federal Personnel and Compensation Division	253	268	+15	J
. Financial and General Management Studies Division	414	451	+37	K
. Joint Financial Management Improvement Program	10	10	--	L
. General Government Division	432	454	+22	M
. International Division	231	246	+15	N
. Logistics and Communications Division	471	475	+4	O
. Manpower and Welfare Division	661	715	+54	P
. Procurement and Systems Acquisition Division	528	532	+4	Q
. Resources and Economic Development Division	519	555	+36	R
. Transportation and Claims Division - Functions to remain*	181	171	-10	S
. Field Operations Division	205	210	+5	T
. Assistant Comptroller General, Management Services	456	490	+34	U
Net GAO Ongoing Staff-Years	<u>4,792</u>	<u>5,052</u>	<u>+260</u>	
* Transportation functions which will be transferred to GSA	<u>438</u>	<u>404</u>	(34)	S
	5,230	5,456		

**See Justification of
Estimates FY 1976.

Mrs. Shea

NOTICE OF HEARINGS (REVISED)

Committee : Senate Appropriations Committee
Subcommittee on the Legislative

Subject : GAO Budget

Date : April 18, 1975

Time : 10:00 a.m.

Room : S-¹²⁶128, Capitol

Membership : Chairman Ernest F. Hollings (S.C.)

Majority : Senator J. L. McClellan
Senator W. D. Huddleston

Minority : Senator R. S. Schweiker
Senator M. Mathias, Jr.

Principal Staffman : Warren W. Kane, Professional Staff Member

GAO Witnesses : Mr. Staats
Mr. Keller
Mr. Dembling
Mr. Hughes
Mr. Tom Morris
Mr. Pin
Mr. Conrardy
Mr. Gutmann
Mr. Eschwege
Mr. Forrest Browne
Mr. Shafer
Mr. Tom Sullivan
Mr. Canfield

Accompanied By : Dick Brown, OAS
Jack Green, OAS
Martin J. Fitzgerald, OCR
Paul Magliochetti, OACG

mjf
Martin J. Fitzgerald
Legislative Attorney, OCR